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ASM PACIFIC TECHNOLOGY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0522)

ANNOUNCEMENT OF 2016 AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

Net Profit Surged by 50.9%

2016

- * Record Group revenue of US\$1.84 billion, representing an increase of 9.8% over the preceding year
- * Net profit of HK\$1.44 billion and earnings per share of HK\$3.61, representing an increase of 50.9% over the preceding year
- * Back-end equipment revenue of US\$930.5 million, representing an increase of 23.0% over 2015
- * Materials revenue of US\$241.2 million, representing an increase of 9.2% over 2015
- * SMT solutions revenue of US\$664.5 million, representing a decrease of 4.4% against 2015
- * New order bookings of US\$1.88 billion, representing an increase of 9.1% over 2015
- * Cash and bank deposits of HK\$3.21 billion at the end of December 2016

Second half of 2016

- * Half-year Group revenue of US\$995.1 million, representing increases of 18.2% and 25.3% over the first half of 2016 and the second half of 2015, respectively
- * Net profit of HK\$956.1 million and earnings per share of HK\$2.39, representing increases of 98.2% and 315.6% over the first half of 2016 and the same period of 2015, respectively
- * Half-year Back-end equipment revenue of US\$510.6 million, representing increases of 21.5% and 49.8% over the first half of 2016 and the second half of 2015, respectively
- * Record Half-year Materials revenue of US\$124.3 million, representing increases of 6.3% and 16.8% over the first half of 2016 and the second half of 2015, respectively
- * Half-year SMT solutions revenue of US\$360.2 million, representing increases of 18.2% and 3.8% over the first half of 2016 and the second half of 2015, respectively
- * New order bookings of US\$906.6 million, representing a decrease of 6.6% and an increase of 19.1% as compared to the first half of 2016 and the second half of 2015, respectively

Fourth Quarter of 2016

- * Group revenue of US\$454.5 million, representing an increase of 20.2% and a decrease of 16.1% against the fourth quarter of 2015 and the preceding quarter, respectively
- * Net profit of HK\$378.1 million and earnings per share of HK\$0.95, representing a surge of 658.7% and a decrease of 34.6% against the fourth quarter of 2015 and the preceding quarter, respectively
- * Group bookings increased by 23.7% and 8.0% as compared to the fourth quarter of 2015 and the preceding quarter, respectively
- * Book to bill ratio was 1.04
- * Backlog amounted to US\$423.4 million as of end 2016, an increase of 8.9% compared to a year ago

The Directors of ASM Pacific Technology Limited are pleased to make the following announcement of audited results for the year ended 31 December 2016:

RESULTS

ASM Pacific Technology Limited and its subsidiaries (the “Group” or “ASMPT”) reported a revenue of **HK\$14.25 billion (US\$1.84 billion)** in the fiscal year ended 31 December 2016, which was 9.8% higher than the revenue of HK\$12.98 billion (US\$1.67 billion) in the previous year. The Group’s consolidated profit after taxation for the year is **HK\$1.44 billion** which is an increase of 50.9% from the previous year’s net profit of HK\$952.9 million. Basic earnings per share (EPS) for the year amounted to **HK\$3.61** (2015: HK\$2.38).

DIVIDEND AND CLOSURES OF REGISTER OF MEMBERS

We continue to believe in returning excessive cash to our shareholders as dividends. After considering the Group’s short term needs and our cash on hand, the Board of Directors has resolved to recommend to shareholders the payment of a final dividend of **HK\$1.10** (2015: final dividend of HK\$0.40) per share. Together with the interim dividend of HK\$0.80 (2015: HK\$1.00) per share paid in August 2016, the total dividend payment for year 2016 will be **HK\$1.90** (2015: HK\$1.40) per share.

The proposed final dividend of **HK\$1.10** per share, the payment of which is subject to approval by the shareholders at the forthcoming annual general meeting of the Company to be held on Tuesday, 9 May 2017 (“2017 AGM”), is to be payable on Friday, 26 May 2017 to shareholders whose names appear on the Register of Members of the Company on 16 May 2017.

The Register of the Members of the Company will be closed during the following periods:

- (i) From Thursday, 4 May 2017 to Tuesday, 9 May 2017, both days inclusive, during which period no transfer of shares will be registered, for the purpose of ascertaining shareholders’ entitlement to attend and vote at the 2017 AGM. In order to be eligible to attend and vote at the 2017 AGM, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar in Hong Kong, Tricor Secretaries Limited not later than 4:00 p.m. on Tuesday, 2 May 2017; and
- (ii) From Monday, 15 May 2017 to Tuesday, 16 May 2017, both days inclusive, during which period no transfer of shares will be registered, for the purpose of ascertaining shareholders’ entitlement to the proposed final dividend. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company’s Share Registrar in Hong Kong, Tricor Secretaries Limited not later than 4:00 p.m. on Friday, 12 May 2017.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

		Three months ended 31 Dec		Year ended 31 Dec	
		2016	2015	2016	2015
		(unaudited)	(unaudited)	(audited)	(audited)
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>Notes</i>				
Revenue	2	3,520,889	2,928,394	14,249,093	12,977,289
Cost of sales		(2,197,740)	(1,841,886)	(8,891,618)	(8,261,905)
Gross profit		1,323,149	1,086,508	5,357,475	4,715,384
Other income		47,658	7,863	78,433	42,623
Selling and distribution expenses		(321,920)	(333,223)	(1,277,326)	(1,275,844)
General and administrative expenses		(207,805)	(209,554)	(785,079)	(757,602)
Research and development expenses		(334,163)	(306,076)	(1,242,775)	(1,185,118)
Other gains and losses	5	1,438	(8,418)	(51,348)	30,394
Restructuring costs	6	(17,494)	(28,496)	(97,899)	(49,758)
Finance costs		(44,090)	(39,956)	(188,532)	(156,703)
Profit before taxation		446,773	168,648	1,792,949	1,363,376
Income tax expense	7	(68,722)	(118,818)	(354,567)	(410,462)
Profit for the period		378,051	49,830	1,438,382	952,914
Profit for the period attributable to:					
Owners of the Company		386,641	53,107	1,463,864	956,191
Non-controlling interests		(8,590)	(3,277)	(25,482)	(3,277)
		378,051	49,830	1,438,382	952,914
Earnings per share	9				
- Basic		HK\$0.95	HK\$0.13	HK\$3.61	HK\$2.38
- Diluted		HK\$0.95	HK\$0.13	HK\$3.60	HK\$2.37

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Three months ended 31 Dec		Year ended 31 Dec	
	2016 (unaudited) HK\$'000	2015 (unaudited) HK\$'000	2016 (audited) HK\$'000	2015 (audited) HK\$'000
Profit for the period	<u>378,051</u>	49,830	<u>1,438,382</u>	<u>952,914</u>
Other comprehensive (expense) income				
- exchange differences on translation of foreign operations, which may be reclassified subsequently to profit or loss	(234,110)	(86,771)	(213,983)	(396,034)
- remeasurement of defined benefit retirement plans, net of tax, which will not be reclassified to profit or loss	<u>(23,634)</u>	11,689	<u>(23,634)</u>	11,689
Other comprehensive expense for the period	<u>(257,744)</u>	(75,082)	<u>(237,617)</u>	(384,345)
Total comprehensive income (expense) for the period	<u><u>120,307</u></u>	(25,252)	<u><u>1,200,765</u></u>	<u><u>568,569</u></u>
Total comprehensive income (expense) for the period attributable to:				
Owners of the Company	128,896	(21,976)	1,226,175	571,845
Non-controlling interests	<u>(8,589)</u>	(3,276)	<u>(25,410)</u>	(3,276)
	<u><u>120,307</u></u>	(25,252)	<u><u>1,200,765</u></u>	<u><u>568,569</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 31 December	
		2016	2015
		HK\$'000	HK\$'000
<i>Notes</i>			
Non-current assets			
Property, plant and equipment		2,157,965	2,218,161
Investment property		57,718	63,048
Goodwill		428,052	427,754
Intangible assets		571,528	604,888
Prepaid lease payments		20,461	22,573
Pledged bank deposits		-	2,562
Deposits paid for acquisition of property, plant and equipment		32,198	13,666
Rental deposits paid		44,506	24,755
Deferred tax assets		307,015	289,846
Other non-current assets		101,633	106,496
		3,721,076	3,773,749
Current assets			
Inventories		4,254,541	3,482,436
Trade and other receivables	10	4,421,318	4,304,398
Prepaid lease payments		780	822
Derivative financial instruments		1,113	2,108
Income tax recoverable		29,830	21,774
Pledged bank deposits		-	7,228
Bank deposits with original maturity of more than three months		1,071,408	254,983
Bank balances and cash		2,138,886	2,020,145
		11,917,876	10,093,894
Current liabilities			
Trade and other payables	11	3,265,973	2,389,798
Derivative financial instruments		24,664	9,057
Provisions		272,513	280,733
Income tax payable		332,734	415,728
Convertible bonds	12	2,224,895	-
Bank borrowings		116,334	37,459
		6,237,113	3,132,775
Net current assets		5,680,763	6,961,119
		9,401,839	10,734,868

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

- continued

		At 31 December	
		2016	2015
		HK\$'000	HK\$'000
	<i>Notes</i>		
Capital and reserves			
Share capital		40,824	40,453
Dividend reserve		449,068	161,812
Other reserves		8,532,315	7,804,254
Equity attributable to owners of the Company		<u>9,022,207</u>	<u>8,006,519</u>
Non-controlling interests		4,056	29,466
Total equity		<u>9,026,263</u>	<u>8,035,985</u>
Non-current liabilities			
Convertible bonds	12	-	2,264,775
Retirement benefit obligations		161,249	127,833
Provisions		46,349	65,459
Bank borrowings		77,556	141,441
Deferred tax liabilities		55,725	61,622
Other liabilities and accruals		34,697	37,753
		<u>375,576</u>	<u>2,698,883</u>
		<u>9,401,839</u>	<u>10,734,868</u>

Notes:

1. PRINCIPAL ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for the derivative financial instruments which are measured at fair value at the end of each reporting period. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Amendments to HKFRSs that are mandatory effective for the current year

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012 – 2014 Cycle

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. SEGMENT INFORMATION

The Group has three (2015: three) operating segments: development, production and sales of (1) back-end equipment, (2) surface mount technology (“SMT”) solutions and (3) materials. They represent three major types of products manufactured by the Group. The operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by Company’s Chief Executive Officer, the chief operating decision maker, for the purpose of allocating resources to segments and assessing their performance. The Group is organized and managed around the three (2015: three) major types of products manufactured by the Group. No operating segments have been aggregated in arriving at reportable segments of the Group.

2. SEGMENT INFORMATION – continued

Segment revenues and results

An analysis of the Group's revenue and results by operating and reportable segment is as follows:

	Three months ended 31 Dec		Year ended 31 Dec	
	2016	2015	2016	2015
	(unaudited) HK\$'000	(unaudited) HK\$'000	(audited) HK\$'000	(audited) HK\$'000
Segment revenue from external customers				
Back-end equipment	1,731,164	1,187,377	7,219,722	5,870,364
SMT solutions	1,319,548	1,333,800	5,157,306	5,392,167
Materials	470,177	407,217	1,872,065	1,714,758
	3,520,889	2,928,394	14,249,093	12,977,289
Segment profit				
Back-end equipment	337,447	27,749	1,487,204	702,098
SMT solutions	153,076	208,059	578,454	751,187
Materials	42,059	24,030	170,410	141,282
	532,582	259,838	2,236,068	1,594,567
Interest income	9,744	1,139	26,410	6,210
Finance costs	(44,090)	(39,956)	(188,532)	(156,703)
Unallocated other (expenses) income	(1,562)	(2)	(1,171)	215
Unallocated net foreign exchange (loss) gain	(657)	(8,701)	(55,873)	26,031
Unallocated general and administrative expenses	(31,750)	(15,174)	(126,054)	(57,186)
Restructuring costs	(17,494)	(28,496)	(97,899)	(49,758)
Profit before taxation	446,773	168,648	1,792,949	1,363,376

2. SEGMENT INFORMATION – continued

Segment revenues and results – continued

	Three months ended 31 Dec		Year ended 31 Dec	
	2016 (unaudited)	2015 (unaudited)	2016 (audited)	2015 (audited)
Segment profit %				
Back-end equipment	19.5%	2.3%	20.6%	12.0%
SMT solutions	11.6%	15.6%	11.2%	13.9%
Materials	8.9%	5.9%	9.1%	8.2%

No analysis of the Group's assets and liabilities by operating segments is disclosed as they are not regularly provided to the chief operating decision maker for review.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit before taxation earned by each segment without allocation of interest income, finance costs, unallocated other (expenses) income, unallocated net foreign exchange (loss) gain, unallocated general and administrative expenses and restructuring costs.

All of the segment revenue derived by the segments is from external customers.

2. SEGMENT INFORMATION – continued

Other segment information (included in the segment profit or loss or regularly provided to the chief operating decision maker)

Year ended 31 December 2016	Back-end equipment HK\$'000	SMT solutions HK\$'000	Materials HK\$'000	Unallocated general and administrative expenses HK\$'000	Consolidated HK\$'000
Amounts regularly provided to chief operating decision maker:					
Additions of property, plant and equipment	232,678	105,392	78,621	-	416,691
Additions of intangible assets	-	8,681	-	-	8,681
Amounts included in the measure of segment profit:					
Amortization for intangible assets	1,278	40,633	-	-	41,911
Depreciation of property, plant and equipment	225,446	89,797	78,443	-	393,686
Depreciation of investment property	1,332	-	-	-	1,332
(Gain) loss on disposal/write-off of property, plant and equipment	(5,844)	(437)	197	-	(6,084)
Release of prepaid lease payments	546	107	127	-	780
Release of land license fee	2,725	-	-	-	2,725
Research and development expenses	721,231	512,959	8,585	-	1,242,775
Share-based payments	108,942	12,541	10,014	22,167	153,664

2. SEGMENT INFORMATION – continued

Other segment information (included in the segment profit or loss or regularly provided to the chief operating decision maker) – continued

Year ended 31 December 2015	Back-end equipment HK\$'000	SMT solutions HK\$'000	Materials HK\$'000	Unallocated general and administrative expenses HK\$'000	Consolidated HK\$'000
Amounts regularly provided to chief operating decision maker:					
Additions of property, plant and equipment					
- Additions during the year	310,816	96,382	138,497	-	545,695
- Arising from acquisition of business	-	-	85,471	-	85,471
	<u>310,816</u>	<u>96,382</u>	<u>223,968</u>	<u>-</u>	<u>631,166</u>
Additions of intangible assets	-	18,889	-	-	18,889
Amounts included in the measure of segment profit:					
Amortization for intangible assets	1,278	39,049	-	-	40,327
Depreciation of property, plant and equipment	219,928	91,268	66,016	-	377,212
Depreciation of investment property	1,422	-	-	-	1,422
(Gain) loss on disposal/write-off of property, plant and equipment	(2,489)	(2,639)	765	-	(4,363)
Release of prepaid lease payments	598	-	224	-	822
Research and development expenses	681,599	495,308	8,211	-	1,185,118
Share-based payments	138,138	15,093	12,134	13,252	178,617

2. SEGMENT INFORMATION – continued

Geographical information

The information of the Group's non-current assets by geographical location of assets are detailed below:

	Non-current assets	
	At 31 December	
	2016	2015
	HK\$'000	HK\$'000
Mainland China	1,301,938	1,382,376
Singapore	1,061,932	609,567
Europe	356,268	811,887
- United Kingdom	189,700	60,857
- Germany	145,245	150,486
- Switzerland	-	585,220
- Others	21,323	15,324
Malaysia	182,675	171,989
Hong Kong	67,728	61,416
Americas	7,830	7,187
- United States of America	3,963	5,587
- Others	3,867	1,600
Korea	4,402	6,660
Others	3,236	2,505
	2,986,009	3,053,587

Note: Non-current assets excluded goodwill, deferred tax assets and pledged bank deposits.

2. SEGMENT INFORMATION – continued

Geographical information - continued

The Group's revenue from external customers by location of customers are detailed below:

	Revenue from external customers	
	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
Mainland China	6,498,189	5,163,129
Europe	2,234,506	2,250,910
- Germany	724,874	753,629
- Hungary	193,572	166,366
- France	160,003	120,699
- Romania	154,299	207,708
- United Kingdom	67,876	115,676
- Others	933,882	886,832
Hong Kong	1,277,663	1,087,989
Americas	1,091,263	930,027
- United States of America	684,305	638,503
- Mexico	227,794	139,552
- Others	179,164	151,972
Malaysia	913,938	887,723
Taiwan	600,521	546,099
Thailand	464,201	434,106
Philippines	315,241	382,035
Korea	306,371	396,849
Japan	239,868	555,991
Singapore	121,288	141,963
Others	186,044	200,468
	14,249,093	12,977,289

No individual customer contributes to more than 10% of the total revenue of the Group for the year.

3. Analysis of quarterly segment revenue and results

	Three months ended				Change		
	31 December 2016 (unaudited) HK\$'000	30 September 2016 (unaudited) HK\$'000	30 June 2016 (unaudited) HK\$'000	31 March 2016 (unaudited) HK\$'000	Q4 vs. Q3	Q4 vs. Q2	Q4 vs. Q1
Segment revenue from external customers							
Back-end equipment	1,731,164	2,228,406	1,979,729	1,280,423	-22.3%	-12.6%	35.2%
SMT solutions	1,319,548	1,474,233	1,209,915	1,153,610	-10.5%	9.1%	14.4%
Materials	470,177	494,283	479,564	428,041	-4.9%	-2.0%	9.8%
	3,520,889	4,196,922	3,669,208	2,862,074	-16.1%	-4.0%	23.0%
Segment profit							
Back-end equipment	337,447	546,201	446,096	157,460	-38.2%	-24.4%	114.3%
SMT solutions	153,076	226,267	145,355	53,756	-32.3%	5.3%	184.8%
Materials	42,059	38,272	50,025	40,054	9.9%	-15.9%	5.0%
	532,582	810,740	641,476	251,270	-34.3%	-17.0%	112.0%
Interest income	9,744	6,499	6,309	3,858	49.9%	54.4%	152.6%
Finance costs	(44,090)	(52,779)	(42,174)	(49,489)	-16.5%	4.5%	-10.9%
Unallocated other (expenses) income	(1,562)	265	126	-	N/A	N/A	N/A
Unallocated net foreign exchange loss	(657)	(20,491)	(27,000)	(7,725)	-96.8%	-97.6%	-91.5%
Unallocated general and administrative expenses	(31,750)	(34,825)	(34,382)	(25,097)	-8.8%	-7.7%	26.5%
Restructuring costs	(17,494)	(148)	(78,863)	(1,394)	11720.3%	-77.8%	1154.9%
Profit before taxation	446,773	709,261	465,492	171,423	-37.0%	-4.0%	160.6%
Segment profit %							
Back-end equipment	19.5%	24.5%	22.5%	12.3%			
SMT solutions	11.6%	15.3%	12.0%	4.7%			
Materials	8.9%	7.7%	10.4%	9.4%			

3. Analysis of quarterly segment revenue and results – continued

	Three months ended				Q4 vs. Q3	Change	
	31 December 2015	30 September 2015	30 June 2015	31 March 2015		Q4 vs. Q2	Q4 vs. Q1
	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000	(unaudited) HK\$'000			
Segment revenue from external customers							
Back-end equipment	1,187,377	1,455,138	1,861,559	1,366,290	-18.4%	-36.2%	-13.1%
SMT solutions	1,333,800	1,357,693	1,452,576	1,248,098	-1.8%	-8.2%	6.9%
Materials	407,217	418,246	447,817	441,478	-2.6%	-9.1%	-7.8%
	<u>2,928,394</u>	<u>3,231,077</u>	<u>3,761,952</u>	<u>3,055,866</u>	-9.4%	-22.2%	-4.2%
Segment profit							
Back-end equipment	27,749	166,583	336,511	171,255	-83.3%	-91.8%	-83.8%
SMT solutions	208,059	135,795	241,538	165,795	53.2%	-13.9%	25.5%
Materials	24,030	34,869	40,470	41,913	-31.1%	-40.6%	-42.7%
	<u>259,838</u>	<u>337,247</u>	<u>618,519</u>	<u>378,963</u>	-23.0%	-58.0%	-31.4%
Interest income	1,139	1,544	1,568	1,959	-26.2%	-27.4%	-41.9%
Finance costs	(39,956)	(39,793)	(39,158)	(37,796)	0.4%	2.0%	5.7%
Unallocated other (expenses) income	(2)	217	-	-	N/A	N/A	N/A
Unallocated net foreign exchange (loss) gain	(8,701)	(14,662)	(20,151)	69,545	-40.7%	-56.8%	N/A
Unallocated general and administrative expenses	(15,174)	(15,953)	(16,693)	(9,366)	-4.9%	-9.1%	62.0%
Restructuring costs	<u>(28,496)</u>	<u>(21,262)</u>	-	-	34.0%	N/A	N/A
Profit before taxation	<u>168,648</u>	<u>247,338</u>	<u>544,085</u>	<u>403,305</u>	-31.8%	-69.0%	-58.2%
Segment profit %							
Back-end equipment	2.3%	11.4%	18.1%	12.5%			
SMT solutions	15.6%	10.0%	16.6%	13.3%			
Materials	5.9%	8.3%	9.0%	9.5%			

4. DEPRECIATION AND AMORTIZATION

During the year, depreciation and amortization amounting to HK\$393.7 million (2015: HK\$377.2 million), HK\$1.3 million (2015: HK\$1.4 million) and HK\$41.9 million (2015: HK\$40.3 million) were charged to profit or loss in respect of the Group's property, plant and equipment, investment property and intangible assets, respectively.

5. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
The gains and losses comprise:		
Net foreign exchange (loss) gain	(38,977)	52,182
Gains on disposal / write-off of property, plant and equipment	6,084	4,363
Losses on fair value change of derivative financial instruments	(16,896)	(26,151)
Others	(1,559)	-
	<u>(51,348)</u>	<u>30,394</u>

6. RESTRUCTURING COSTS

During the year ended 31 December 2016, included in restructuring costs are mainly plant relocation costs for moving manufacturing facilities located in Yantian, Shenzhen, China to Longgang, Shenzhen, China. Due to the local authorities' redevelopment plans, part of the operation of a subsidiary of the Company, Shenzhen ASM Micro Electronic Technology Co., Ltd., was required to move out of its premises located in Yantian by the first half of 2017. In connection with this plant relocation, the Group recorded HK\$92,851,000 restructuring costs for the year ended 31 December 2016, which primarily relates to estimated severance payments of HK\$63,139,000 and incentive payments and other compensation of HK\$22,323,000 to employees for relocation to new premises of the Group.

During the year ended 31 December 2015, the Group launched a voluntary separation incentive programme for its employees in the manufacturing plant in China for cost reduction and streamlining its manufacturing operations for the SMT solutions business. Accordingly, severance payments of HK\$49,758,000 were charged to profit or loss for the year ended 31 December 2015 and recorded as restructuring costs.

7. INCOME TAX EXPENSE

	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
The charge (credit) comprises:		
Current tax:		
Hong Kong	50,783	39,594
PRC Enterprise Income Tax	87,531	64,672
Other jurisdictions	256,043	339,192
	<u>394,357</u>	<u>443,458</u>
(Over)under provision in prior years:		
Hong Kong	(208)	362
PRC Enterprise Income Tax	(7,355)	78
Other jurisdictions	(12,962)	(5,998)
	<u>(20,525)</u>	<u>(5,558)</u>
Deferred tax credit	<u>(19,265)</u>	<u>(27,438)</u>
	<u><u>354,567</u></u>	<u><u>410,462</u></u>

- (a) Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.
- (b) Under the Law of the People's Republic of China (the "PRC") on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the Enterprise Income Tax rate of the Group's subsidiaries in the PRC is 25% (2015: 25%), except for ASM Technology China Limited ("ATC"). On 28 October 2015, ATC was recognized as an advanced technology service enterprise ("ATSE") by the Chengdu Science and Technology Bureau for a period of 3 years, i.e. from 2015 to 2017. According to the tax circular Caishui [2014] No. 59, ATC, as an ATSE, is subject to Enterprise Income Tax at a reduced income tax rate of 15% from 2015 to 2017, subject to fulfillment of recognition criteria for ATSE during the relevant period.
- (c) On 12 July 2010, the Singapore Economic Development Board ("EDB") granted a Pioneer Certificate to ASM Technology Singapore Pte Ltd. ("ATS"), a principal subsidiary of the Company, to the effect that profits arising from certain new back-end equipment and lead frame products are exempted from tax for a period of 10 years effective from the dates commenced between 1 June 2010 and 1 January 2012 across specified products, subject to fulfillment of certain criteria during the relevant periods. EDB also granted a 5-year Development and Expansion Incentive ("DEI") to ATS to the effect that profits arising from certain existing products are subject to tax at a concessionary tax rate of 10% for a period of 5 years from 1 January 2011 to 31 December 2015, subject to the fulfillment of certain criteria during the relevant period. The DEI has expired on 31 December 2015 and ATS did not renew the incentive in current year.

On the same date, EDB also granted ATS an International Headquarters Award to the effect that certain income arising from qualifying activities conducted by ATS, excluding income from business transactions with companies or end customers in Singapore, are subject to a concessionary tax rate of 5% for a period of 10 years from 1 January 2011, subject to fulfillment of certain criteria during the relevant period.

7. INCOME TAX EXPENSE – continued

(c) - continued

Income of ATS arising from activities not covered under the abovementioned incentives is taxed at the prevailing corporate tax rate in Singapore of 17% (2015: 17%).

(d) The calculation of current tax of the Group's subsidiaries in Germany is based on a corporate income tax rate of 15.00% (2015: 15.00%) plus 5.50% (2015: 5.50%) solidarity surcharge thereon for the assessable profit for the year. In addition to corporate income tax, trade tax is levied on taxable income. The applicable German trade tax (local income tax) rates for the Group's subsidiaries in Germany vary from 12.495% to 17.015% (2015: 11.550% to 17.015%) according to the municipal in which the entity resides. Thus the aggregate tax rates were between 28.320% and 32.840% (2015: 27.375% to 32.840%).

(e) Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The Group continued to receive letters from the Hong Kong Inland Revenue Department ("HKIRD") during the year ended 31 December 2016 seeking information relating to Hong Kong Profits Tax and other tax affairs of certain subsidiaries of the Company. The enquiries might lead to significant additional tax being charged on profits from some overseas subsidiaries in respect of source of income as concerned that have not previously been included in the scope of charge for Hong Kong Profits Tax or significant tax adjustments to companies currently subject to Hong Kong Profits Tax. As at 31 December 2016, the Group purchased tax reserve certificates amounting to HK\$370,049,000 (2015: HK\$346,029,000), as disclosed in note 10.

Based on legal and other professional advice that the Company has sought, the directors continued to be of the opinion that sufficient provision for taxation has been made in the consolidated financial statements.

8. DIVIDENDS

	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
<u>Dividend recognized as distribution during the year</u>		
Interim dividend for 2016 paid of HK\$0.80 (2015: HK\$1.00) per share on 406,104,633 (2015: 402,518,700) shares	324,884	402,519
Final dividend for 2015 paid of HK\$0.40 (2015: final dividend paid for 2014 of HK\$1.30) per share on 404,529,500 (2015: 402,518,700) shares	161,812	523,274
	<u>486,696</u>	<u>925,793</u>

8. DIVIDENDS – continued

Subsequent to the end of the reporting period, a final dividend of HK\$1.10 (2015: final dividend of HK\$0.40) per share in respect of the year ended 31 December 2016 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
<u>Dividend proposed subsequent to the end of the reporting period</u>		
Proposed final dividend for 2016 of HK\$1.10 (2015: HK\$0.40) per share on 408,243,733 (2015: 404,529,500) shares	449,068	161,812

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Three months ended 31 Dec		Year ended 31 Dec	
	2016	2015	2016	2015
	(unaudited)	(unaudited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings for the purposes of basic and diluted earnings per share (Profit for the period attributable to owners of the Company)	386,641	53,107	1,463,864	956,191
	Number of shares (in thousands)		Number of shares (in thousands)	
Weighted average number of ordinary shares for the purpose of basic earnings per share	406,238	402,688	405,357	402,492
Effect of dilutive potential shares from the Employee Share Incentive Scheme	2,034	1,919	1,837	1,646
Weighted average number of ordinary shares for the purpose of diluted earnings per share	408,272	404,607	407,194	404,138

Note: The computation of diluted earnings per share for the three months ended 31 December 2016 and 2015 and the years ended 31 December 2016 and 2015 did not assume the conversion of the Company's outstanding convertible bonds because the assumed conversion would result in an increase in earnings per share.

10. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2016	2015
	HK\$'000	HK\$'000
Trade receivables (Note a)	3,540,968	3,628,676
Amount recoverable from Siemens AG (Note b)	21,788	18,796
Value added tax recoverable	313,510	180,234
Tax reserve certificate recoverable	370,049	346,029
Other receivables, deposits and prepayments	219,509	155,418
	4,465,824	4,329,153
Less : Non-current rental deposits paid shown under non-current assets	(44,506)	(24,755)
	4,421,318	4,304,398

The following is an aging analysis of trade receivables net of allowance for doubtful debts presented based on the due date at the end of the reporting period:

	At 31 December	
	2016	2015
	HK\$'000	HK\$'000
Not yet due	2,749,780	2,902,657
Overdue within 30 days	348,160	367,086
Overdue within 31 to 60 days	153,323	130,003
Overdue within 61 to 90 days	125,749	90,572
Overdue over 90 days	163,956	138,358
	3,540,968	3,628,676

Notes:

- (a) The amount included notes receivables amounting to HK\$410,358,000 (2015: HK\$841,173,000).
- (b) Pursuant to the Master Sale and Purchase Agreement of the acquisition entered into between Siemens Aktiengesellschaft (“Siemens AG”) and the Company, Siemens AG undertakes to pay to the Group such amount as is necessary to indemnify 13 former direct and indirect subsidiaries of Siemens AG (“ASM AS Entities”) from and against any and all taxes imposed to ASM AS Entities relating to any taxable periods beginning before and ending before or after 7 January 2011 while Siemens AG was the beneficial owner. The amount recoverable from Siemens AG represents the aggregate amount of the tax liabilities of ASM AS Entities covered under the tax indemnity and is therefore recoverable from Siemens AG. It is due for settlement once the Group pays the related taxes and received the tax demand notes from tax authorities. The balance is expected to be settled in 2017.

Credit policy:

Payment terms with customers are mainly on credit together with deposits received in advance. Invoices are normally payable within 30 days to 60 days of issuance, except for certain well established customers, where the terms are extended to 3 to 4 months or more. Each customer has a pre-set maximum credit limit.

10. TRADE AND OTHER RECEIVABLES – continued

Included in the Group's trade receivables are amounts totaling HK\$791,188,000 (2015: HK\$726,019,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Based on the historical experiences of the Group, those trade receivables that are past due but not impaired are generally recoverable. The trade and other receivables that are neither past due nor impaired are of good credit quality because of satisfactory repayment history.

11. TRADE AND OTHER PAYABLES

	At 31 December	
	2016	2015
	HK\$'000	HK\$'000
Trade payables	1,686,043	954,419
Amount due to a subsidiary of a shareholder (Note a)	-	9
Deferred revenue	134,534	129,889
Accrued salaries and wages	235,958	227,643
Other accrued charges	510,353	402,418
Deposits received from customers	282,380	324,865
Accrual for tax-related expense (Note b)	168,400	168,400
Payables arising from acquisition of property, plant and equipment	111,092	102,513
Other payables	171,910	117,395
	3,300,670	2,427,551
Less : Non-current other liabilities and accruals	(34,697)	(37,753)
	3,265,973	2,389,798

Notes:

- (a) Balance represented amount due to a subsidiary of a shareholder of the Company, ASM International N.V., which was not yet due, unsecured, non-interest bearing and repayable according to normal trade terms. The amount was settled during the year ended 31 December 2016.
- (b) As detailed in note 7, the Group continued to receive letters from the HKIRD during the year ended 31 December 2016 seeking information relating to Hong Kong Profits Tax and other tax affairs of certain subsidiaries of the Company. The enquiries might lead to additional tax-related expenses and accrual has been provided accordingly.

11. TRADE AND OTHER PAYABLES – continued

The following is an aging analysis of trade payables presented based on the due date at the end of the reporting period:

	At 31 December	
	2016 HK\$'000	2015 HK\$'000
Not yet due	1,192,941	674,109
Overdue within 30 days	274,202	155,052
Overdue within 31 to 60 days	123,046	60,314
Overdue within 61 to 90 days	57,856	34,303
Overdue over 90 days	37,998	30,641
	1,686,043	954,419

The average credit period on purchases of goods ranges from 30 to 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

12. CONVERTIBLE BONDS

On 28 March 2014, the Company issued convertible bonds due 2019 in an aggregate principal amount of HK\$2,400,000,000. Interest of 2.00% per annum will be paid semi-annually in September and March, respectively.

The convertible bonds may be converted into ordinary shares of the Company, at the option of the holder thereof, at any time on and after 8 May 2014 up to the close of business on the day falling ten days prior to 28 March 2019 (the “Maturity Date”) (both days inclusive) or if such convertible bonds shall have been called for redemption before the Maturity Date, then up to and including the close of business on a date no later than seven days prior to the date fixed for redemption thereof, at an initial conversion price (subject to adjustment for among other things, consolidation and subdivision of shares, capitalization of profits or reserves, right issues, distributions and certain other dilutive events) of HK\$98.21 per share. The conversion price was adjusted to HK\$96.54 per share with effect from 20 May 2015 as a result of the aggregate distributions of HK\$2.10 per share made by the Company to the shareholders for the year ended 31 December 2014. The conversion price was further adjusted to HK\$95.23 per share with effect from 18 May 2016 as a result of aggregate distribution of HK\$1.40 per share made by the Company to the shareholders for the year ended 31 December 2015. Details of the adjustment to conversion price of the convertible bonds were set out in the Company’s announcements dated 13 May 2015 and 11 May 2016.

The Company will redeem the convertible bonds on the Maturity Date at their principal amount outstanding together with accrued and unpaid interest thereon.

12. CONVERTIBLE BONDS – continued

The Company may, having given not less than 30 nor more than 60 days' notice (the "Redemption Notice"), redeem in whole, but not in part, of the convertible bonds at the principal amount together with interest accrued on such redemption date, provided that :

- (i) at any time after 28 March 2017 and prior to the Maturity Date, the closing price of an ordinary share of the Company, for 20 out of the 30 consecutive trading days immediately prior to the date upon which the Redemption Notice is given, was at least 130% of the conversion price, or
- (ii) at any time, prior to the date the Redemption Notice is given, at least 90% in principal amount of the convertible bonds has already been converted, redeemed or purchased and cancelled.

The Company would, at the option ("Put Option") of the bond holder, redeem all or some of that convertible bonds on 28 March 2017 (the "Put Option Date") at their principal amount together with interest accrued to such date but unpaid. To exercise such option, the bond holder should serve notice of redemption to the Company not earlier than 60 days and not later than 30 days prior to the Put Option Date. As the Company did not have an unconditional right to defer settlement of the convertible bonds in more than twelve months from the end of December 2016, the entire balance of liability component of the convertible bonds was classified as current liabilities as at 31 December 2016. The Company did not receive any notice of redemption up to date of report and the Put Option was lapsed accordingly.

The bond holder may request immediate redemption of the convertible bonds at their principal amount then outstanding together with accrued interest upon occurrence of certain events. Details of the issue of convertible bonds were set out in the Company's announcement dated 4 March 2014.

The net proceeds received from the issue of the convertible bonds was split between a liability component and an equity component in its initial recognition.

None of the convertible bonds was redeemed or converted during the year ended 31 December 2015.

On 20 May 2016, convertible bonds with principal amount of HK\$150,000,000 were converted into the Company's shares at the prevailing adjusted conversion price of HK\$95.23 per share. As a result, a total number of 1,575,133 shares of the Company were issued and credited as fully paid and the relevant portion of convertible bonds equity reserve of HK\$16,683,000 was transferred to share premium.

12. CONVERTIBLE BONDS – continued

The movements of the liability component and equity component of the convertible bonds for the year are set out below:

	Liability component	Equity component	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2015	2,176,894	266,932	2,443,826
Interest charge during the year	148,571	-	148,571
Interest paid	(48,000)	-	(48,000)
At 31 December 2015 and 1 January 2016	2,277,465	266,932	2,544,397
Conversion of convertible bonds	(144,537)	(16,683)	(161,220)
Interest charge during the year	150,364	-	150,364
Interest paid	(46,500)	-	(46,500)
At 31 December 2016	2,236,792	250,249	2,487,041

Liability component of the convertible bonds is analyzed for reporting purposes as:

	At 31 December	
	2016	2015
	HK\$'000	HK\$'000
Current liabilities		
Interest payable on convertible bonds (included in trade and other payables)	11,897	12,690
Convertible bonds	2,224,895	-
Non-current liabilities		
Convertible bonds	-	2,264,775
	2,236,792	2,277,465

REVIEW

The Group has performed well in 2016. Despite the continued uncertainty and volatility in the global economies, Group revenue grew 9.8% year-on-year to US\$1.84 billion, setting a new record in annual revenue. By business segments, both Back-end Equipment and Materials Segments achieved year-on-year revenue growth while SMT Solutions Segment suffered a small year-on-year revenue contraction.

The strong performance achieved by the Group was attributed primarily to the strong demand for CMOS Imaging Sensor (CIS) and LED equipment. Significant demand for CIS is driven mainly by the mobile phone suppliers who are now very focused in providing new-generation smartphones to the market that come equipped with better features and capabilities. Likewise, the LED general lighting and display panels are also generating a substantial impact on the LED market, thus making it as one of the leading growth drivers. Towards the second half of last year, we also witnessed the recovery of the semiconductor IC and Discrete market, as well as a higher demand for SMT equipment.

The Group ended the year on a high note with an unusual quarter-on-quarter booking growth. This upward movement in booking was beyond the Group's expectation at the beginning of the quarter. In fact, the Group's billing and booking for the fourth quarter in 2016 was the highest that the Group had ever achieved for the last quarter of a year.

During the fourth quarter of 2016, both Back-end Equipment and Materials Segment achieved double digit percentage quarter-on-quarter booking growth. Out of the three pillars of the Back-end Equipment business, namely IC & Discrete, Optoelectronics and CIS, the IC & Discrete market showed the strongest booking momentum during the last quarter. In fact, the strong booking momentum has been extended to 2017 with customers in the CIS market also making investment for the current year.

Net profit for the Group amounted to HK\$1.44 billion in 2016, representing a surge of 50.9% over the preceding year. The gross margin of the Group made an improvement of 126 bps to 37.6%. This is the highest the Group has ever achieved for the past six years since the acquisition of the SMT business. Gross margin of the Back-end Equipment Segment continues to grow as it improved over the preceding year to a five year high. Our Materials Segment is the fourth largest global lead frames supplier. Excluding the Molded Interconnect Substrate (MIS) business that the Group acquired in Q4 of 2015, gross margin of the Materials Segment also showed a good year-on-year improvement. As the MIS business is still at its early stage of development, it has yet to make a positive contribution to the profitability of the Materials Segment.

Group revenue for the second half of last year amounted to US\$995.1 million, representing growth of 25.3% and 18.2% against the second half of 2015 and the preceding six months, respectively. Group revenue for the fourth quarter of last year amounted to US\$454.5 million, representing contractions of 16.1% compared to the preceding quarter and growth of 20.2% against the same period in 2015.

By geographical distribution, the top five markets for ASMPT in 2016 were China inclusive of Hong Kong (54.6%), Europe (15.7%), the Americas (7.7%), Malaysia (6.4%) and Taiwan (4.2%). We continue to build our business on a diversified customer base with no single customer accounted for more than 10% of the Group's revenue. The top 5 customers collectively contributed 18.8% of the Group's sales revenue. Out of 80% of the Group's revenue came from 158 customers. Out of the top 20 customers, 6 were from the SMT Solutions business and 3 were key customers for both the Back-end and the SMT Solutions businesses. The top 20 customers of the Group were from different market segments such as the world's leading Integrated Device Manufacturers (IDMs), Tier-1 Outsourced Assembly and Test (OSAT) companies, major OSATs in China, key LED players, top Electronics Manufacturing Services (EMS) providers and automotive components suppliers.

REVIEW – continued

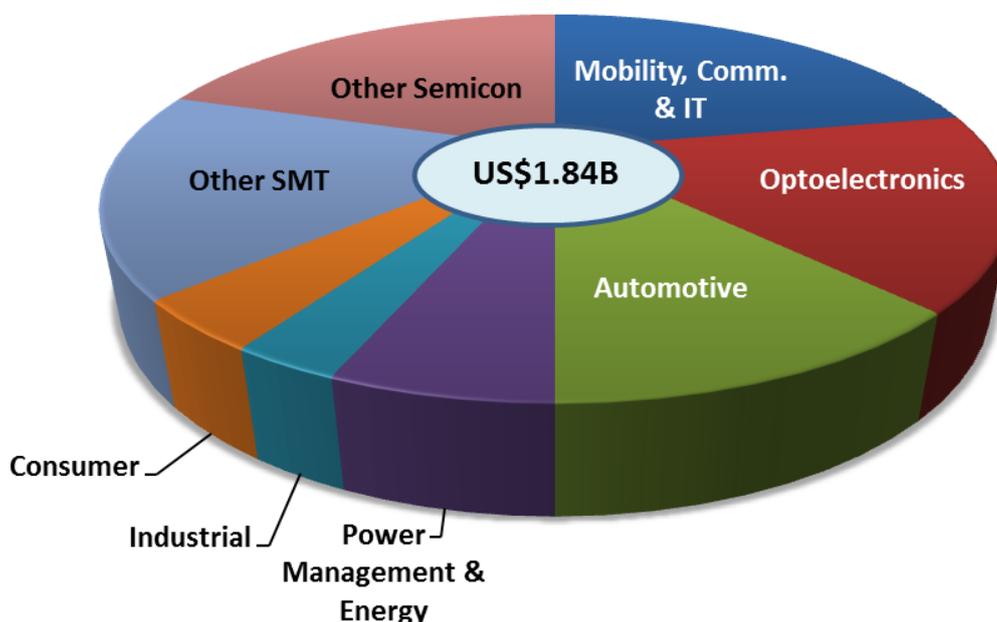
Last year's new order bookings amounted to US\$1.88 billion, representing a growth of 9.1% as compared to 2015. The book-to-bill ratio was at 1.02. Backlog of the Group amounted to US\$423.4 million at end of 2016, representing growth of 8.9% over the previous year.

New order booking for the Back-end Equipment and the Materials segment managed to achieve year-on-year growth as compared to the previous year, while booking for the SMT Solutions segment suffered a small contraction.

Group	FY 2016	2H 2016		Q4 2016	
	YoY	HoH	YoY	QoQ	YoY
Bookings	+9.1%	-6.6%	+19.1%	+8.0%	+23.7%
Revenue	+9.8%	+18.2%	+25.3%	-16.1%	+20.2%
Gross Margin	+126bps	+213bps	+315bps	-183bps	+48bps
EBIT	+29.1%	+72.1%	+150.8%	-36.3%	+131.9%
Net Profits	+50.9%	+98.2%	+315.6%	-34.6%	+658.7%

By application markets, Mobility, Communications and IT; Optoelectronics and Automotive are the largest market segments that the Group served. Its combined contributions to the Group's revenue has grown from around 44% in 2015 to around 50% in 2016. Power Management and Energy, Industrial, and Consumers are the other key market segments for the Group.

Group Revenue by Application Markets for the year 2016



Back-end Equipment Segment

We believe once again we have outperformed the market. Revenue for the Back-end Equipment segment grew 23.0% last year to US\$930.5 million, contributing 50.7% of the Group's total revenue.

Our Back-end Equipment segment continued to retain its number one position in the global market – a position that we have first attained in 2002. In fact, over the past fifteen years, the Group has only lost the number one ranking once in 2012. Due to aggressive competition in the mobile phone industry, more and more smartphone suppliers are differentiating among themselves with more sophisticated cameras on mobile phones. As demand for high resolution and dual cameras increased, this has led to increasing demand for CIS equipment. Industry analysts had also reported that the penetration rate for rear-side dual camera smartphone was only around 7% in 2016. Moving forward to the next few years, the penetration rate is expected to go up to around 30% by 2020. If such a projection is accurate, this will mean a continuous strong demand for CIS equipment in the next few years.

REVIEW – continued

Furthermore, we also noticed that some customers are working on additional features to have dual cameras for both the front and the rear sides of the mobile phones. If this trend takes off which we believe it will, this means that the demand for CIS equipment will further escalate.

The Group believes that demands for CIS equipment will go beyond the smartphone market. More cameras have been deployed in automobiles not only to enhance user experience but also to support the Advanced Driver Assistance Systems (ADAS). 3D Sensing is another user for CIS technology. One of the applications for 3D Sensing is Augmented Reality (AR), which the Group anticipates will go beyond gaming and could penetrate into many other aspects of human life. The Group also believes that CIS will remain as one of the key pillars for the Group's Back-end Equipment Business for a long period of time.

The other key pillar of the Group's Back-end Equipment Business is the LED market. Driven by the growth in LED general lighting and display panels, we experienced strong demand for LED equipment in 2016.

Concurrently, the Group is making good progress in the Advanced Packaging Technology market. With our unparalleled product portfolio offered by both the Back-end Equipment and SMT Solutions Segments, the Group managed to engage many lead customers in the development of Wafer Level Fan-in (WLFI), Wafer Level Fan-Out (WLFO) and Panel Level Fan-Out (PLFO) packages. We expect contributions from this business to gradually grow, and to join IC & Discrete, LED and CIS to become the next pillar of our Back-end Equipment business.

The Group also made good progress in other smaller businesses in 2016. These include the Laser Dicing Equipment business, the Automatic Optical Inspection (AOI) business and the Solar Wafer Inspection business. Though their contributions to the Group's Back-end Equipment business are still relatively small, they achieved impressive growth rate of close to or exceeding 100% as compared to the previous year.

Revenue of the Back-end Equipment segment amounted to US\$510.6 million and US\$223.4 million for the second half and the fourth quarter of 2016, respectively. New bookings for the Back-end Equipment segment last year grew by 19.2% as compared to 2015.

Back-end Equipment	FY 2016	2H 2016		Q4 2016	
	YoY	HoH	YoY	QoQ	YoY
Bookings	+19.2%	-9.8%	+33.9%	+14.2%	+46.9%
Revenue	+23.0%	+21.5%	+49.8%	-22.3%	+45.8%
Gross Margin	+397bps	+170bps	+586bps	-252bps	+550bps
Segment Profit	+111.8%	+46.4%	+354.7%	-38.2%	+1116.1%
Segment Profit Margin	+864bps	+380bps	+1496bps	-502bps	+1716bps

Profitability of our Back-end Equipment business continued to improve last year. Gross margin of this segment made an improvement to 43.4% last year, a five years' high since 2011. Profits of the Back-end Equipment Segment surged 111.8% as compared to the previous year.

The Group's strategies of building a more flexible workforce and increasing level of external manufacturing have helped to make impactful contribution to the improvement.

REVIEW – continued

The relocation of the factory from Yantian, Shenzhen to Longgang, Shenzhen has been completed late last year with a total of 710 employees having left the company. Part of the vacancies will be filled up with new hires while the rest will be taken up by increasing the external manufacturing activities. The Group believes that this consolidation will help to improve the efficiency and logistics operation of the Group in Shenzhen.

Materials Segment

Last year, revenue of our Materials Segment amounted to US\$241.2 million, representing 9.2% growth from the year before. Our etched lead frame business not only experienced strong revenue growth over the previous year, but also achieved a new revenue record. Materials Segment contributed 13.1% of the Group's total revenue in 2016.

Revenue of the Materials segment amounted to US\$124.3 million and US\$60.6 million for the second half and the fourth quarter of 2016, respectively. New bookings for Materials Segment last year grew by 16.3% as compared to 2015.

Materials Segment	FY 2016	2H 2016		Q4 2016	
	YoY	HoH	YoY	QoQ	YoY
Bookings	+16.3%	+11.5%	+21.6%	+15.8%	+29.5%
Revenue	+9.2%	+6.3%	+16.8%	-4.9%	+15.5%
Gross Margin	-20bps	-218bps	-142bps	+1bps	-109bps
Segment Profit	+20.6%	-10.8%	+36.4%	+9.9%	+75.0%
Segment Profit Margin	+86bps	-160bps	+119bps	+120bps	+304bps

With our continuous cost reduction effort and strong focus on offering higher-added value services and higher margin products to the market, profitability of our Materials Segment continued to improve last year. Profits of Materials Segment grew 20.6% over the previous year.

The Group has invested in the MIS business since the fourth quarter of 2015. As the business is still in an early stage of development, it has yet to make a positive contribution to the profitability of the Materials Segment. Excluding the MIS business, gross margin of the Materials Segment improved year-on-year and Segment profits would have achieved improvement of over 50%.

Despite the investment in MIS having temporarily brought down the financial performance of the Materials Segment, the Group remains committed to grow the MIS business. By combining MIS and the Group's equipment portfolio in Advanced Packaging, the Group is in a unique position to offer customers a total solution in their pursuit of advanced packaging technologies. Furthermore, the Group believes that the MIS business will significantly lift the gross margin of the Materials Segment to a much higher level once this business starts to turnaround.

REVIEW – continued

SMT Solutions Segment

Last year, revenue of our SMT Solutions Segment contracted slightly by 4.4% to US\$664.5 million. The SMT Solutions Segment contributed 36.2% of the Group’s revenue.

Revenue of the SMT Solutions segment amounted to US\$360.2 million and US\$170.5 million for the second half and the fourth quarter of 2016, respectively. New bookings for the SMT Solutions Segment last year contracted 4.3% as compared to 2015.

SMT Solutions Segment	FY 2016	2H 2016		Q4 2016	
	YoY	HoH	YoY	QoQ	YoY
Bookings	-4.3%	-8.5%	+2.6%	-2.8%	-1.4%
Revenue	-4.4%	+18.2%	+3.8%	-10.5%	-1.1%
Gross Margin	-202bps	+321bps	+39bps	+13bps	-450bps
Segment Profit	-23.0%	+90.5%	+10.3%	-32.3%	-26.4%
Segment Profit Margin	-271bps	+515bps	+80bps	-375bps	-400bps

As compared to the preceding six months, gross margin of the SMT Solutions Segment made an improvement of 3.2% during the second half of last year. The SMT Solutions Segment achieved segment result margin of 11.2% last year.

Our SMT Solutions Segment continues to focus on offering to the market solutions of higher placement accuracy and speed. With the trend of integrating more advanced features into limited space, we notice that customers are adopting more tiny components such as 0402 (component size of 0.4 mm x 0.2 mm), PCBs with finer traces and more System in Packages (SiPs) in their design, which we believe work in the Group’s favor. Over the past two years, the SMT Solutions Segment made good progress in addressing the Advanced Packages market. With the comprehensive suite of innovative solutions, we are able to positively engage various lead customers in the development of wafer level and panel level fan-out packages.

Last year, we have successfully combined the Printing and Placement divisions into one unit. By tapping on each other’s competence, we are able to introduce new solutions to the market at a faster pace. Also, with the synergies formed, we expect operation costs to be further reduced. Our new facility in Singapore has been completed while the setup of Malaysia’s new manufacturing facilities for the SMT Solutions products is progressing on track. Our goal is to fulfill deliveries for our customers in Asia from both the Singapore and Malaysia factories. We believe that it will not only further lower our production cost but also helps to reduce carbon emission as around 50% of our customers for SMT Solution Segment are located in Asia.

2016 marked a memorable year for the Group as the SMT Solutions Segment’s factory in Munich was awarded the “Factory of the Year 2016” in recognition for its exceptional flexibility in production by the *Produktion* magazine, one of the most prestigious German publications, and Consultancy A.T. Kearney. Past winners include Siemens, Volkswagen, Robert Bosch, to name a few.

LIQUIDITY AND FINANCIAL RESOURCES

Cash and bank deposits as of 31 December 2016 increased by 41.1% to HK\$3.21 billion (2015: HK\$2.28 billion). During 2016, HK\$486.7 million was paid as dividends (2015: HK\$925.8 million). Capital addition during the period amounted to HK\$425.4 million (2015: HK\$564.6 million), which was funded by the year's depreciation and amortization of HK\$440.4 million (2015: HK\$419.8 million). Accounts receivable have been tightly monitored during the year. Day sales outstanding has decreased to 91.0 days (2015: 102.1 days) as a result of improved collections.

As of 31 December 2016, the current ratio was 1.91, with a debt-equity ratio of 26.9% (debts include all bank borrowings and convertible bonds). The Group had available banking facilities of HK\$1.68 billion (US\$216.8 million) in the form of bank loans and overdraft facilities, out of which HK\$310.2 million (US\$40.0 million) was committed facilities. As of 31 December 2016, the Group had bank borrowings of HK\$193.9 million (US\$25.0 million), all of which was utilization of committed facilities. The Group's shareholders' funds increased to HK\$9.02 billion as at 31 December 2016.

In terms of currency exposure, the majority of our sales were denominated in U.S. dollars, with the balance in Euros and Chinese renminbi. On the other hand, disbursements, in respect of operating expenses and purchases, were mainly in U.S. dollars, Euros, Hong Kong and Singapore dollars, Malaysia ringgit, Chinese renminbi, British pounds and Japanese yen.

We continue to believe in returning excess cash to our shareholders through the payout of dividends. After considering our mid-to-short term needs and cash on hand, the Board recommends a final dividend of HK\$1.10 (2015: final dividend of HK\$0.40) per share. The total dividend payout for 2016 is HK\$1.90 per share (2015: HK\$1.40), with a payout ratio of 52.9%. Going forward, the Group would like to pursue a dividend policy of paying out sustainable and gradually increasing dividends.

HUMAN RESOURCES

ASMPT recognizes human resources as one of the Group's most important assets. The Group strongly believes in hiring the right talents, nurturing and retaining them. Besides offering competitive remuneration packages, ASMPT placed great emphasis to provide extensive training programmes and a positive and dynamic working environment. Salary review is conducted on a yearly basis and in addition to salary payments, the Group also provides other form of benefits including contributions to provident funds schemes, medical and training subsidies etc. Discretionary bonus payout and incentives shares are also granted to eligible staff based on the Group's financial results and staff individual performances.

As of 31 December 2016, total headcount for the Group worldwide was approximately 14,400 people. Of the total workforce, around 1,300 were based in Hong Kong, 8,800 in mainland China, 1,400 in Singapore, 900 each in Germany and Malaysia, 400 in the United Kingdom while the remaining were based in other parts of the world. A total of 1,572 headcounts were flexible workers including temporary or short-term contract employees and outsourced workers.

HUMAN RESOURCES – continued

ASMPT invests aggressively to build up its core competence and R&D capabilities. The series of successful acquisitions has helped ASMPT brought in the right talents around the globe with capabilities and expertise. Currently, ASMPT has six R&D centers located in Hong Kong and Chengdu (China), Singapore, Munich (Germany), Weymouth (United Kingdom) and Beuningen (the Netherlands).

The total manpower costs for the Group in 2016 were HK\$3.96 billion, as compared with HK\$3.86 billion in 2015.

PROSPECTS

The market sentiments looked positive during the fourth quarter of last year and this was evidenced by the billings and bookings that set new records for the fourth quarter of a year.

We believe this strong momentum will continue and 2017 is likely to be a year of growth for the Group. This is in line with the predictions from most industry analysts that both the semiconductor and the semiconductor packaging and assembly equipment (PAE) industries will experience growth this year. We expect that our strong performance will be highly driven by demand from the CIS and the LED businesses, and recovery of the IC and Discrete market. Moreover, 2017 being the 10th anniversary of the smartphone industry, many people expect this will trigger off a new round of investment cycle for the smartphone market, which we believe will be beneficial to our SMT Solutions business.

With the strong booking received in Q4 as the confidence booster, we expect a strong year-on-year double digit percentage improvement in the Group's billing during the first quarter of this year. As there are less working days in Q1 due to the Chinese New Year holiday break, we expect Group billing for the first quarter to show only a small sequential improvement over the preceding quarter. For the Group booking in Q1, we expect it to improve sequentially and to demonstrate an even stronger double digit percentage growth on year-on-year basis. In fact, new order booking for the first two months of this year has already surpassed the booking in Q1 last year.

However, we are also mindful that there are still some levels of macro-economic instability that might affect the global semiconductor and electronics industries. United States being the engine of the world economy and the recent change in its political leadership have brought about a certain degree of reservation to the world economy. Likewise, the economic effect of Brexit may further challenge the situation and pose another uncertainty to the world market.

Nevertheless, we believe that there are still many bright spots in our industry and in particular, for ASMPT. In years to come, we expect automobiles, smart factories, smart cities, Industry 4.0, Internet of Things (IoT), healthcare, Artificial Intelligence (AI) and the desire for a greener environment will help to increase demand for semiconductor devices and electronics modules. Furthermore, the broad portfolio of new products that the Group has developed will put us in the forefront position to gain market shares.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities, except that a professional trustee of the Employee Share Incentive Scheme, pursuant to the terms of the rules and trust deed of the Employee Share Incentive Scheme, purchased on the Exchange a total of 332,400 shares in the Company. The cost of purchase of these shares amounted to HK\$21.8 million.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year ended 31 December 2016.

The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

AUDIT COMMITTEE

The audit committee comprises three Independent Non-executive Directors and one Non-executive Director who together have substantial experience in fields of auditing, legal matters, business, accounting, corporate internal control and regulatory affairs.

REVIEW OF ACCOUNTS

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2016 in conjunction with the Company's external auditor.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures as set out in the preliminary announcement in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises Miss Orasa Livasiri (Chairman), Mr. John Lok Kam Chong, Mr. Wong Hon Yee, Mr. Eric Tang Koon Hung and Mr. Patrick Shuang Kung as Independent Non-Executive Directors, Mr. Charles Dean del Prado and Mr. Petrus Antonius Maria van Bommel as Non-Executive Directors, and Mr. Lee Wai Kwong, Mr. James Chow Chuen and Mr. Robin Gerard Ng Cher Tat as Executive Directors.

On behalf of the Board

Lee Wai Kwong

Director

Hong Kong, 2 March 2017